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**The Public Utilities Commission's
Security and Protective Services Unit's
Administration of Security Services
Provided by Burns, Inc.**

November 30, 1993

Audit Number 40101-93



City and County of San Francisco

Office of Controller

Report by the Controller's Audits Division The Public Utilities Commission's Security and Protective Services Unit's Administration of Security Services Provided by Burns

November 30, 1993

Public Utilities Commission
City Hall, Room 287
San Francisco, CA 94102

President and Commissioners:

At the Public Utilities Commission (PUC) acting General Manager's request, the Controller's Audits Division conducted an audit of the PUC Protective Services Unit's administration of security services provided by Burns International Security Services, Inc. (Burns) for fiscal years 1991-92 and 1992-93. Our report discusses the need for Protective Services to improve its administrative practices and for Burns to improve its provision of services.

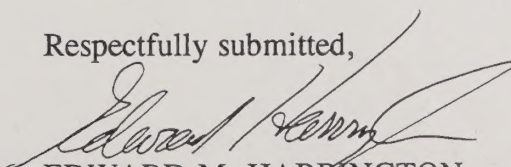
Payments to Burns in Fiscal Year 1992-93: \$1.24 million

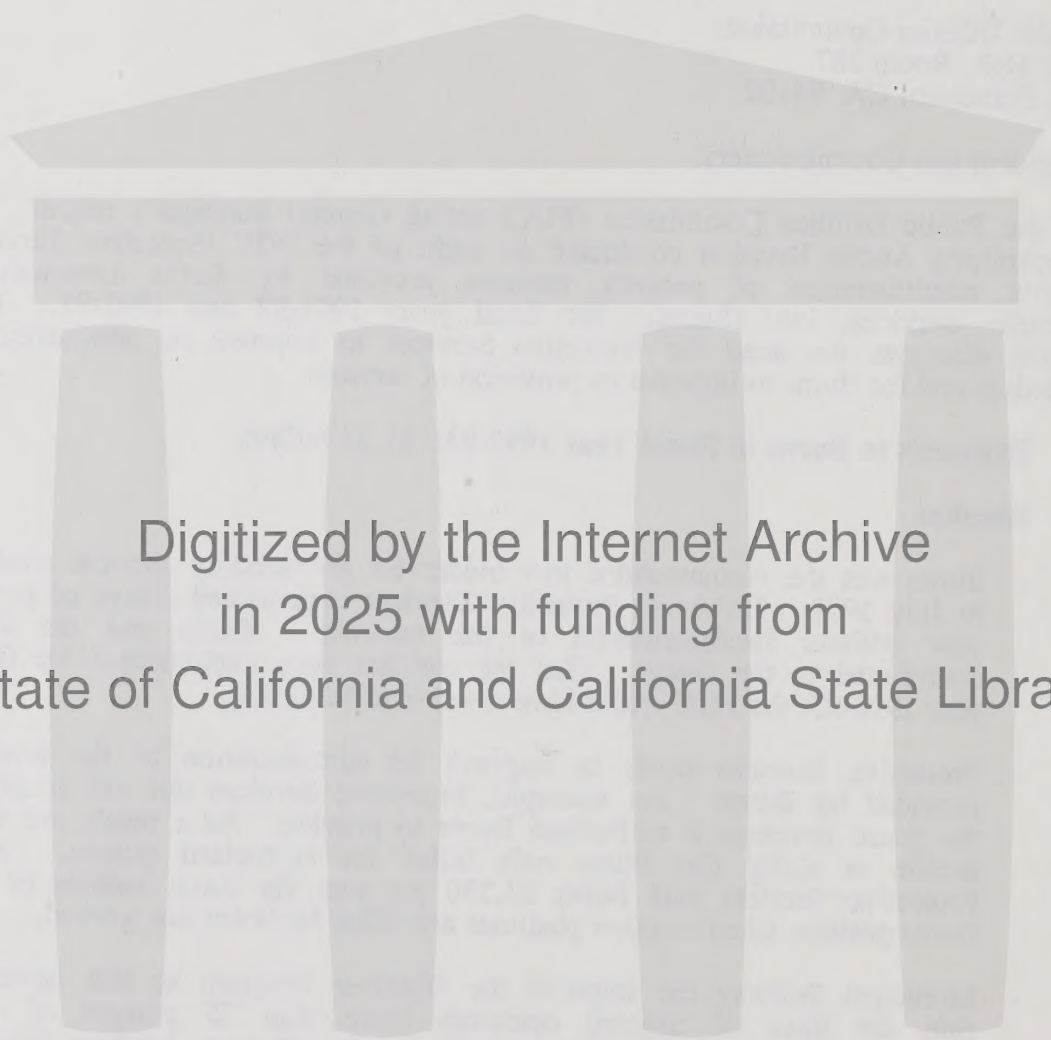
Results:

- Burns was the recommended low bidder for the security services contract in July 1992. However, Protective Services experienced delays of over a year without implementation of the contract. Burns and the PUC contributed to the delays. Had the contract been implemented for fiscal year 1992-93, the PUC would have saved over \$100,000.
- Protective Services needs to improve its administration of the services provided by Burns. For example, Protective Services did not document the guard coverage it authorized Burns to provide. As a result, we were unable to verify that Burns only billed for authorized guards. Also, Protective Services paid Burns \$3,550 per year for leave benefits of one Burns position when no other positions are billed for hours not worked.
- Municipal Railway can improve the Observer Program so that observers ride the lines of targeted operators more than 25 percent of their rides. Also, observer hiring practices raise concern because five are relatives of PUC employees or Protective Services administrators. In addition, Burns sometimes erroneously billed the PUC for some employees, costing the PUC over \$1,700 during fiscal year 1992-93.

The responses of the PUC General Manager, Protective Services, and Burns are attached to this report, and indicate that some recommendations have been implemented. The Audits Division will be working with the PUC to follow-up on the status of the implementation of its recommendations.

Respectfully submitted,


EDWARD M. HARRINGTON
Controller



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Introduction

The purpose of this report is to provide a comprehensive overview of the PUC's Security and Protective Services Unit. This unit is responsible for providing security and protective services to the PUC's facilities, personnel, and information. The report will discuss the unit's mission, organization, and activities, as well as the challenges it faces and the solutions it has implemented. The report will also provide recommendations for improving the unit's effectiveness and efficiency.

Background

The PUC's Security and Protective Services Unit was established in 1985 to provide security and protective services to the PUC's facilities, personnel, and information. The unit is responsible for providing a high level of security and protection to the PUC's assets, while also ensuring that the PUC's operations are not disrupted. The unit's activities include conducting security assessments, providing security training, and providing security services to the PUC's facilities, personnel, and information.

The unit's mission is to provide a high level of security and protection to the PUC's assets, while also ensuring that the PUC's operations are not disrupted. The unit's organization is designed to ensure that the unit is able to provide a high level of security and protection to the PUC's assets, while also ensuring that the PUC's operations are not disrupted.

The unit's activities include conducting security assessments, providing security training, and providing security services to the PUC's facilities, personnel, and information. The unit's challenges include providing a high level of security and protection to the PUC's assets, while also ensuring that the PUC's operations are not disrupted.

The unit's solutions include providing a high level of security and protection to the PUC's assets, while also ensuring that the PUC's operations are not disrupted. The unit's recommendations include providing a high level of security and protection to the PUC's assets, while also ensuring that the PUC's operations are not disrupted.

The unit's conclusion is that the PUC's Security and Protective Services Unit is able to provide a high level of security and protection to the PUC's assets, while also ensuring that the PUC's operations are not disrupted. The unit's recommendations include providing a high level of security and protection to the PUC's assets, while also ensuring that the PUC's operations are not disrupted.

The unit's appendix includes a list of the PUC's facilities, personnel, and information, as well as a list of the unit's activities. The unit's appendix also includes a list of the unit's challenges and solutions, as well as a list of the unit's recommendations.

Introduction

The acting General Manager of the Public Utilities Commission (PUC) requested the Controller's Audits Division to conduct a review of the PUC Security and Protective Services Unit's (Protective Services) administration of security services provided by Burns International Security Services, Incorporated (Burns). The General Manager requested that the audit include a review of allegations made by a former Burns employee who provided security services for the Municipal Railway (Muni). The allegations included charges that Burns guards were not performing properly, Protective Services did not sufficiently monitor Burns services, and Protective Services approved payments to Burns for certain unallowable costs.

Protective Services is responsible for criminal and civil investigations concerning all PUC facilities, including Muni, the Water Department, Hetch Hetchy, and PUC bureaus. Protective Services provides most of its services to Muni. Apart from administering the Burns contract, Protective Services also maintains a security control system which includes card access control and video recording for certain PUC locations, performs background checks of Muni employees, provides fingerprinting services for City employees, and conducts some confidential investigations of PUC activities.

Protective Services currently has an acting Chief and an investigator. Burns provides guards and other personnel for guarding Muni bus yards, collecting Muni revenue, observing transit operators, and administering these activities. The PUC spent \$1,242,000 during fiscal year 1992-93 and \$1,200,000 during fiscal year 1991-92 for services provided by Burns. Table 1 shows the types of personnel provided by Burns, their duties, and staffing levels.

Table 1
Profile of Burns Services and Staffing
Fiscal Year 1992-93

Employee Type	Primary Duties	Percent of Hours	FTE Positions
Static Guards	Posted at Muni bus yards.	59%	33
Revenue (armed) Guards	Accompany Muni revenue collections.	13%	8
Mobile Patrol Guards	Roving patrol of Muni bus yards.	10%	6
Console Operators	Supervise and administer guards.	9%	5
Observers	Observe Muni transit line operators.	5%	3
Administrators	Coordinators that manage operations from Protective Services' office.	<u>4%</u>	<u>2</u>
Total		100%	57

Note: The total hours and number of Full-Time Equivalent (FTE) positions was calculated using the hours spent by Burns employees during two months of fiscal year 1992-93.

For fiscal year 1992-93, Burns provided a total of approximately 110,000 hours of services. Of this total, we estimate that Burns provided 100,800 hours of guard services, or the equivalent of 52 full-time guards. Also, during the year Burns provided 7 to 14 observers. Finally, Burns provided three administrators including two full-time employees and one part-time employee. Protective Services eliminated one of the full-time positions in January 1993.

Scope and Methodology

The purpose of the review was to assess the adequacy of Protective Services' administration over the security services provided by Burns. We reviewed services that Burns provided during the period July 1, 1991 through June 30, 1993. We interviewed a former Burns employee who alleged that Protective Services and Burns had certain practices that were poor or inappropriate, and assessed these allegations as part of our fieldwork. Our report includes those allegations that had merit based upon the results of our fieldwork.

Based on records, interviews, and analyses, we determined whether Protective Services effectively managed the security operations performed by Burns. This included evaluating Protective Services' controls over operations staffed by Burns employees and its review process for the Burns invoices it approved for payment. We also evaluated the status of contractual agreements between the PUC and Burns, and the extent, causes, and cost for delays in entering into a contract with Burns.

We also assessed Burns' practices and controls over the security services it provided, including guarding Muni bus yards, protecting Muni revenue collections, observing transit operators, and administration of these operations. We evaluated the supervision of Burns security guards and observers, and whether appropriate corrective actions were taken in instances of poor performance. We also tested whether Burns personnel met minimum requirements or qualifications, and whether Burns personnel were paid at least the agreed-upon rate.

Finally, we determined whether payments to Burns were appropriate based on reported hours and position level. We did not perform a comprehensive evaluation of the Muni security program.

Chapter 1

Protective Services Has Not Implemented the Proposed Contract With Burns

Chapter Summary

In July 1992, Protective Services and the Purchaser completed the bid evaluation process on the security services contract, and Burns was the recommended low bidder. However, Protective Services has experienced a delay of more than one year in implementing the contract with Burns. As of August 12, 1993, the contract has still not been implemented. Three major factors contributed to the delay: Burns did not enter into a joint venture agreement with a minority business enterprise for over nine months, the PUC took over five months to obtain Proposition J approval, and Burns and its joint venture partner did not submit appropriate bonding and insurance certificates for over four months. Burns continued to provide security services under a Term Purchase Agreement it had been operating under since 1986. Had Protective Services and Burns implemented the contract for fiscal year 1992-93, the PUC would have saved over \$100,000, or 8 percent of the amount it expended for Burns services.

Background

Former Protective Services Chief Charles Richardson provided the following history of the PUC's security services. In 1984, the PUC and the Purchaser competitively bid Protective Services' security services contract. Burns won the contract, and performed the services until the contract expired on June 30, 1986. The PUC and the Purchaser put the contract out to bid again, and Young Patrol won the contract. However, Young Patrol could not begin providing services because it had staffing difficulties. In the interim, the PUC continued to use Burns to provide security services. Under orders from the Purchaser, the PUC gave Young Patrol an extended opportunity to meet the contract provisions. After some time, Young Patrol agreed it could not perform the contract, and dropped out as a contractor.

The former Protective Services Chief further stated that from July 1986 through May 1992, Protective Services and the Purchaser had not competitively bid the security services contract. Protective Services and the Purchaser retained Burns on a month-to-month basis with a Term Purchase Agreement because they found through an informal survey that other security firms could not offer a lower price. The PUC believed that it would not be cost effective to competitively bid these services. Further, according to the former Protective Services Chief, the Purchaser's staff agreed with this analysis. In 1992, other security firms expressed a desire to have an opportunity to bid on these security services. At the request of Protective Services, the Purchaser initiated a bid for the contract in May 1992.

Although, the Administrative Code (Section 21.6) requires that bidding occur for purchases in excess of \$50,000, City officials approved that Protective Services use a Term Purchase Agreement for these services. The City officials that approved this practice included the PUC General Manager, the Chief Administrative Officer, and the Purchaser. The Purchaser specified that a special services Term Purchase Agreement would be used for these services until a competitive bid process could be conducted. The Administrative Code (Section 21.18) allows purchases to be made for special services under rules established by the Purchaser.

Delays in Implementing the Proposed Contract

Protective Services has had significant delays in implementing the competitively bid contract. The Purchaser completed the bid evaluation process for Protective Services' security services on July 8, 1992 and recommended Burns as the lowest bidder. The Purchaser's contract specialist stated that a contract without unusual problems would normally be implemented within one month after the recommended bidder is identified. Although the Burns contract would have been expected to be implemented by August 8, 1992, the contract has still not been implemented as of August 12, 1993, more than one year later.

According to the Purchaser, PUC, and Burns, three events contributed to the delay in implementing the contract, with some events occurring simultaneously. First, Burns did not enter into a joint venture agreement with a minority business enterprise in a timely manner. Burns' first attempt at forming a joint venture with a minority business enterprise was unsuccessful because the minority company could not meet the contract requirements. The PUC provided Burns with a list of minority business enterprise companies with which Burns could pursue its attempt at forming a joint venture. Burns second attempt has been successful. According to Burns and the PUC, this process lasted from July 1992 through March 1993, or approximately nine months.

Second, it took the PUC over five months to obtain Proposition J approval from the Controller and the Board of Supervisors. Proposition J approval took from May to October 1992, or approximately five months. Subsequent to our fieldwork but prior to our report issuance, the Purchaser informed us that another delay has occurred because the PUC did not obtain Proposition J approval for fiscal year 1993-94.

Third, Burns and its joint venture partner did not initially submit bonding and insurance certificates that met City approval. Starting in April 1993, Burns and its joint venture partner took over four months to submit bonding and insurance certificates that met City approval, according to the Purchaser and the CAO risk manager.

Delays Resulted in Higher Costs for Security Services

Had Protective Services been able to implement the contract with Burns for fiscal year 1992-93, we estimate the PUC would have saved \$102,751 of the \$1,242,291 it expended for Burns security services, or 8 percent of the costs. This is because the Burns contract generally specified lower rates for services than Burns provided under the Term Purchase Agreement. We estimated the savings by projecting the hours worked, including holidays and overtime, by each employee type. We multiplied these hours by the difference in rates between those actually used by Burns during fiscal year 1992-93 and the rates specified in the proposed contract which Burns agreed to hold for two years after implementation of the contract. The savings is shown in Table 2 below.

Table 2
Costs Savings for Burns Services in Fiscal Year 1992-93
If Proposed Rates Had Been in Effect

Employee Type	Estimated Fiscal Year 1992-93 Hours	Rate Difference Decrease (Increase)	Cost Savings
Static Guards	64,595	\$0.51	\$32,943
Revenue Guards	14,525	0.50	7,263
Mobile Patrol Guards	11,224	1.83	20,540
Console Operators	8,374	2.05	17,167
Senior Console Supervisor	2,080	-0.26	-541
Captain (Note 1)	1,018	n/a	n/a
Observers (Note 2)	5,172	n/a	n/a
Coordinators	<u>3,054</u>	8.31	<u>25,379</u>
Total	110,042		\$102,751

- Note: 1. The captain position was used in fiscal year 1992-93, but was eliminated during the year and is not in the proposed contract.
2. The observer positions were not included in the proposed contract, so there is no contract rate to compare to the rates used in fiscal year 1992-93.

Recommendation

To ensure that the PUC meets Administrative Code requirements for purchasing services in excess of \$50,000, the PUC should take the following action:

- Implement the contract with Burns as soon as possible.

Chapter 2

Protective Services Needs to Improve Its Administration of Burns Services

Chapter Summary

In several areas of operations, Protective Services does not adequately administer services provided by Burns. First, Protective Services does not have a written agreement with Burns for providing security and other services. Protective Services' management practices would be improved by having written terms of agreement that would provide controls over services and minimize the City's liability. Second, Protective Services did not formally document in writing the Spending and Deployment Plan it creates each year. The plan identifies the guard coverage that will be used in the new fiscal year. Further, Protective Services did not keep written records of changes to its plan. Without documentation of the plan and changes to it, we were unable to determine if Protective Services authorized all the guard services provided by Burns. Third, Protective Services did not document the addition of five positions that were added as a service by Protective Services. The Protective Services Chief informed us that Protective Services had informally authorized only four of these positions and rates. Fourth, the Muni Revenue Center did not inform Protective Services of changes to revenue guard staffing levels that occur, and Protective Services did not maintain a written record of attendance for the two administrative staff provided by Burns. Because of these practices, Protective Services was unable to verify the accuracy of Burns invoices. Finally, Protective Services needs to change its practices for the one full-time coordinator by not paying Burns for certain leave benefits that cost the City \$3,750 per year and ensuring this employee does not work overtime without overtime pay.

Protective Services Did Not Have Sufficient Written Terms for Services Provided

Protective Services has only a few written terms of agreement with Burns for the security services provided. Protective Services has a Term Purchase Agreement with Burns, which provides general terms of agreement with the City, including indemnification and payment terms. The only other written terms of agreement between Protective Services and Burns are the billing rates of the various positions that Burns is to provide the PUC. Because Protective Services has a Term Purchase Agreement for the Burns services, Protective Services complies with Charter and Administrative Code requirements for having a contract. However, Protective Services' management practices would be improved by having written terms of agreement in place. These terms would specify the scope of work to be performed by Burns and would provide operational controls over services rendered by Burns.

**Protective Services Did
Not Document Staffing
Levels It Authorized**

Protective Services did not document in writing the staffing level it authorized Burns to provide. Although Protective Services creates a Spending and Deployment Plan each year to identify the initial staffing levels and guard locations for the new fiscal year, it did not commit its plan in writing. Protective Services develops the plan based on estimated funding, the plan currently in effect, and discussions with Muni management. Because Protective Services had not documented its plan, we were unable to determine if guards provided by Burns were in accordance with Protective Services authorization. Since we discussed this matter with the Protective Services Chief, he has agreed to formally write the plan beginning with the fiscal year 1993-94 plan.

In addition, Protective Services did not document changes to staffing levels that cause a departure from the initial Spending and Deployment Plan. From our review of Protective Services' procedures, we found that Protective Services changes staffing levels to meet changing needs and certain emergencies. Protective Services' practice has been to orally communicate authorized staffing changes to Burns. However, Protective Services does not retain a record of these changes. Only by documenting changes to the plan can Protective Services show that Burns provided the staffing level it authorized.

Finally, the PUC General Manager or designate is to authorize changes to staffing levels that increase costs, according to the PUC Finance Bureau Budget Analyst. However, Protective Services did not have documentation of authorization for these changes. According to a PUC Bureau Manager, this authorization was only orally provided.

**Protective Services
Did Not Document New
Positions and Billing Rates**

Burns billed the PUC for certain positions that were not listed as authorized positions and rates. Protective Services and Burns only had a letter from Burns listing the authorized positions and billing rates. This letter did not include some positions and billing rates that Burns subsequently used. The Protective Services Chief informed us that Protective Services informally authorized these positions and rates, except for the Senior Mobile Patrol. As discussed in Chapter 4 of this report, Burns sometimes erroneously billed this unauthorized higher rate for the Mobile Patrol position. The five positions and rates not previously documented as authorized are listed in Table 3 below.

**Table 3
Burns Positions and Billing Rates
Not Documented as Authorized**

Position/Title	Billing Rates
Administrator Supervisor	\$21.18
Site Supervisor	\$21.18
Administrator I	\$19.65
Senior Mobile Patrol	\$12.49
Observers	\$10.27

**Protective Services Approved
Paying Some Invoices Without
Sufficient Information**

Protective Services did not adequately review Burns invoices because the Muni Revenue Center did not inform Protective Services of changes to revenue guard staffing levels. Only Protective Services is responsible for reviewing Burns' invoices to ensure they are accurate. The Revenue Center provides Protective Services the revenue guard schedule prior to the beginning of each month. Protective Services is able to compare the schedule to the Burns invoice to determine if the number of hours billed is correct. However, the Revenue Center frequently changes the revenue guard schedule. We found that the Revenue Center cancelled 11 of 168 shifts (11 percent) scheduled for March 1993, for a total of 63 hours. For the hours we reviewed, we found that Burns correctly did not bill the PUC for the cancelled shifts. However, Protective Services was unable to determine the accuracy of Burns invoices and approved paying invoices without knowing whether changes in the schedule had been made.

**Protective Services Did Not
Record Burns Administrative
Employees Attendance**

Protective Services does not maintain a written record of attendance for the two administrative staff provided by Burns. For these two staff, the Protective Services Chief informs Burns of absences when they occur. Without attendance records to compare to Burns invoices, Protective Services cannot adequately ensure that Burns billings are correct.

**Protective Services Improperly
Approved Paying Some Leave
Benefits for a Burns Employee**

Burns bills the PUC for the full-time coordinator's sick and holiday benefits, based on an oral agreement with Protective Services. Former Protective Services Chief Charles Richardson provided the following history of Protective Services' one full-time coordinator. The coordinator was a former City employee who he recruited to work for Protective Services as a Burns employee. Protective Services tried to replicate the salary and benefits that would be provided to a City employee. The former Protective Services Chief stated he intended to include this position as part of Protective Services' budget, but was unsuccessful. Consequently, the coordinator remained an employee of Burns.

The coordinator's fringe benefits that are billed by Burns includes 8 sick days and 11 holidays each year. At the hourly billing rate of \$24.66, the 19 days cost the PUC an additional \$3,748 each year for fiscal years 1991-92 and 1992-93. For all other positions provided by Burns, Burns bills the PUC only for hours actually worked.

The 11 holidays include the Columbus Day holiday. Although Burns does not provide this as a holiday to the coordinator, Protective Services' offices are closed and the coordinator does not work. During fiscal years 1991-92 and 1992-93 Protective Services did not report to Burns that the coordinator did not work this day, and Burns billed the PUC for this holiday as it does other holidays.

We believe the PUC should not pay Burns for the sick and holiday benefits provided to the coordinator. Further, upon implementation of the proposed contract, its terms provide that the PUC will only pay for services actually rendered.

**Coordinator Worked Overtime
Without Overtime Pay**

The full-time coordinator worked a 44 hour week beginning October 2, 1992. With the agreement of the coordinator and the Protective Services Chief, the coordinator worked four hours in addition to the normal work week. At the direction of the Protective Services Chief, Burns billed the PUC for these additional hours at the regular billing rate of \$24.66 per hour. However, Burns did not bill the PUC nor pay the coordinator at an overtime rate for these additional four hours per week. According to the Federal Fair Labor Standards Act and California State Law, persons that work more than 40 hours per week are required to receive either overtime pay or compensatory time off at the rate of one-and-one-half times the number of overtime hours worked. We discussed this matter with the Protective Services Chief and as of July 1, 1993 he changed the coordinator's work schedule to a 40-hour week.

Burns Sometimes Provided Unarmed Guards for Protection of Revenue

We found five instances when an unarmed guard was used as a revenue guard during November 1992. These instances were detected because of allegations of a former Burns employee. Normally, Protective Services authorized Burns to provide armed guards to protect Muni revenue collection personnel and to secure cash handling operations. However, according to Burns, Protective Services authorized the practice of sometimes using unarmed revenue guards. According to one of the guards who performed this service, unarmed guards were not certified to carry a firearm and did not carry one. Further, to limit the potential risk, unarmed guards were used on those deliveries or collections that did not involve cash. Instead they were used for delivering or collecting non-cash items such as Muni's Fast Passes. According to Protective Services and Burns, this practice was discontinued as of January 1993.

Recommendation

To ensure that Burns services are appropriately administered, the PUC should take the following actions:

- Require Protective Services to continue documenting in writing its Spending and Deployment Plan, and to record any changes to the plan. If an emergency causes the need for a change in the plan, oral authorization of the changes is appropriate providing Protective Services later documents it in writing.
- Require Protective Services to obtain written authorization from the PUC General Manager for staffing level increases that cause an increase in cost, and to document in writing any new positions or billing rates that Protective Services authorizes Burns to use.
- Require Protective Services to develop procedures so that the Muni Revenue Center informs Protective Services of revenue guard schedule changes, and require Protective Services to record the attendance of Burns administrative employees working at Protective Services' offices.
- Pay Burns only for hours worked by the full-time coordinator. Burns billing rate for the coordinator should be consistent with its billing rate for all other personnel it provides to the PUC.
- Require Protective Services to continue scheduling the full-time coordinator for a 40-hour work week. Once the contract is implemented, if Protective Services deems it necessary for the coordinator to work overtime, Protective Services should inform Burns of the overtime hours worked. For these overtime hours, Burns should pay the coordinator overtime pay and bill the PUC at the overtime rate.
- Require Protective Services to continue using armed guards as revenue guards as long as the PUC deems it appropriate.

Chapter 3

Protective Services and Muni

Need to Improve the Observer Program

Chapter Summary

The Observer Program monitors transit vehicle operators to provide Muni with independent observation of operator practices. The Observer Program has demonstrated some success in identifying operators who improperly perform some of their duties. However, observers ride the lines of targeted operators only in one of four rides. Muni can increase this frequency by promptly informing Protective Services when operators have schedule changes or absences and by identifying more operators for targeting. In addition, some of the Observer Program's hiring practices raise concern because many of the observers are relatives of PUC employees or Protective Services administrators.

Background

The Observer Program monitors transit vehicle drivers (operators) to observe whether they properly collect fares, are courteous to passengers, and operate their vehicles safely. Observers monitor operators on all Muni transit lines, including cable cars. As of July 1993, Protective Services has seven active observers. Observers work any day of the week, but no more than 20 hours per week. Observers schedule on their own which of the targeted operators they are going to observe, and are to ride the line of targeted operators five times within three of their working days. For each occasion an observer rides a transit vehicle, the observer files a report with Protective Services. Within 10 days, Protective Services sends the reports to Muni for review and action.

The Observer Program Has Identified Problem Operators

We reviewed 115 reports (6 percent) of the 1,964 reports filed for five of the months from November 1992 to June 1993. Based on this review, we found that observers are identifying operators who improperly perform some of their duties. Of the 115 reports, observers reported 30 instances when the operator did not perform as is required, including:

- Seven instances when the operator did not collect the fare or provide the receipt according to procedure,
- Six instances when the operator was rude or performed inappropriately, and
- Seventeen instances when the operator did not operate the vehicle safely.

In addition, during the period that Muni provided the Observer Program with sufficient information to target specific operators (from March 28 until August 11, 1993), the Observer Program coordinator stated that the Program had caught three operators stealing fares.

Muni Needs to Improve the Frequency of Observing Targeted Operators

We found that an observer rode the line of a targeted operator in only one of four times they observed an operator. Muni can take steps to increase the number of times that a targeted operator is observed.

Although Muni began targeting specific operators for observation in September 1992, observers were unable to ride the lines of targeted operators because instructions by Muni to the Observer Program were insufficient. In particular, Muni did not always provide current line and schedule information on the targeted operators. On March 28, 1993, the Observer Program began receiving from Muni the targeted operator's current transit line and schedule. We reviewed 45 (5 percent) of the 928 observer reports for the three-month period of April to June 1993, which was after the Observer Program had sufficient information on operators. We found that observers rode the lines of targeted drivers only 12 of the 45 times they rode a line, or 27 percent of the time.

Based on discussions with the Observer Program coordinator and Muni administrators, the Observer Program is faced with certain limitations that preclude observers from riding the lines of targeted operators:

- Muni does not promptly inform the Observer Program when targeted operators have changed schedules, especially when the operators schedule changes each quarter.
- Muni does not inform the Observer Program when targeted operators have planned absences, such as vacations or disability leave.
- Muni has only provided a few operators for observers to target. In September 1992, Muni began targeting specific operators for observation that had complaints about pocketing fares. Muni identified these operators from its list of approximately 100 operators with reported problems, including reports of pocketing fares, misconduct, or improper vehicle operation. Muni develops this list in part from complaints about operators it receives from the public. In April 1993, Muni had targeted only five operators. In July 1993, Muni started providing the Observer Program with the names of more operators to observe, including operators with reported problems other than pocketing fares. As of August 11, 1993, Muni had targeted eight operators. Although this is an improvement, we believe that the number of operator names for targeting should be further increased so that observers could more frequently schedule their rides on the lines of targeted operators.

**Observer Hiring
Too Reliant on
PUC Referrals**

Protective Services relies too much on recruiting and hiring observers based on referrals from PUC employees and Protective Services administrators. Further, a number of the referrals were relatives of PUC employees and Protective Services administrators. Protective Services recruits and selects observers, and refers them to Burns for hire. Burns performs a background check and ensures the observers obtain a guard registration card, which is issued by the state permitting the person to be employed as a guard. Of the 14 observers who worked during fiscal year 1992-93, 5 were relatives and 3 were personal referrals of PUC employees (including Protective Services and other PUC units) or Protective Services administrators (which are Burns employees). While the City does not preclude potential employees being referred by City employees, the hiring of relatives into publicly funded positions raises questions of propriety.

Protective Services relies too much on recruiting and hiring observers based on referrals from employees of Protective Services and PUC who are family members or friends. Protective Services recruits and selects observers, and refers them to Burns for hire. Burns performs a background check and ensures the observers obtain a guard registration card, which is issued by the state permitting the person to be employed as a guard. Of the 14 individuals who worked as observers during fiscal year 1992-93, 6 were family members that were referred by employees or former employees of Protective Services or other PUC units. While the City does not preclude potential employees being referred by City employees, the hiring of relatives or spouses into publicly funded positions raises questions of propriety.

Recommendation

To improve the Observer Program, the PUC should take the following actions:

- Require Muni to promptly provide Protective Services with the current schedule for the targeted operators, promptly inform Protective Services of targeted operators that are on lengthy absences, and identify and provide to Protective Services more operators for targeting.
- Require Protective Services to adopt hiring and selection procedures for observers that are appropriate for these positions.

Chapter 4

Burns Practices and Controls Over Operations and Billings

Chapter Summary

We reviewed Burns practices and controls over its billings and operations for the PUC account. We found that sometimes Burns billed the PUC at an employee's normal billing rate instead of the lower billing rate for the position that the employee worked. We estimate that the PUC paid Burns over \$1,700 during fiscal year 1992-93 because of Burns billing errors. From our review of Discipline Reports and Incident Reports, we concluded that Burns appropriately disciplined its employees, but could improve the documentation of its actions. We also found that Burns had reduced the turnover of static guards it had assigned to Muni so that the need for training was reduced, and that static guard sites left open was not excessive. Finally we found that Burns had appropriate procedures for rotating the schedules of its revenue guards.

Burns Sometimes Charged Higher Rates for Lower Level Positions

Because of staffing shortages, Burns sometimes filled certain positions with employees that normally worked a position with a higher billing rate. However, Burns billed the PUC at the higher billing rate for these employees when they filled other positions with a lower billing rate. We found that for two months and one week during the three months that we reviewed, Burns filled a Mobile Patrol position with an employee that normally had a higher billing rate and billed the PUC at the employees' normal billing rate. For the three monthly invoices totalling \$330,724 that we reviewed, Burns overbilled the PUC by \$549. Because these billing errors all occurred for Mobile Patrol positions filled by employees that normally worked a higher position, we estimated the overbilling during fiscal year 1992-93 based on the number of Mobile Patrol hours. Burns billed these employees at the rate of \$12.49 per hour, instead of the Mobile Patrol rate of \$11.51 per hour. Based on the Mobile Patrol billings during the 3 months reviewed totaling \$28,500, we estimate the PUC erroneously paid Burns \$1,722 during fiscal year 1992-93 because of these errors.

Burns Appropriately Disciplines Its Guards When Necessary

From our review of Discipline Reports and Incident Reports on file at the Presidio Security Office, we concluded that in general Burns appropriately disciplines its employees. Discipline Reports provide information about job performance problems of Burns guards, and are prepared by guard supervisors. Incident Reports provide information about significant guard activities occurring at the Muni sites, and are prepared by Burns guards.

We reviewed all 79 Discipline Reports on file at the Presidio Security Office that were prepared during the period July 1991 through June 1993. However, not all Discipline Reports were in the file. We found two significant periods with no Discipline Reports on file: a six month period from November 20, 1991 to May 19, 1992 and a four and one-half month period from January 10, 1993 to May 24, 1993. In addition, we are not sure that all Discipline Reports were on file for the remaining period. We relied on the Discipline Report file at the Presidio Security Office because no other central file existed, and we believed it was representative of the performance problems experienced by Burns guards that provided services to Muni.

The most significant performance problems affecting Burns services to Muni involved static guards not patrolling the post as required, not remaining stationary at the post as required, or abandoning a post. We found only 25 instances of these type of performance problems during the 13.5 month period we reviewed. We assessed Burns management's responses to these problems by reviewing Burns action. In the Discipline Reports we reviewed, it appeared that Burns appropriately gave a warning or required them to report to the office for disciplinary action. However, in 5 of 10 instances we reviewed, Burns did not adequately document the disciplinary action taken when guards reported to Burns offices.

We also reviewed 151 of the Incident Reports that were prepared during the two-year period from July 1991 through June 1993. The Incident Reports we reviewed indicated that most incidents were related to graffiti attacks and trespassers at the sites, which is why Muni and Protective Services posted guards. Only nine (6 percent) of the Incident Reports we reviewed indicated a guard with a performance problem.

Guard Turnover Reduced

Burns lowered its turnover of static guards assigned to Muni between August 1992 and March 1993 by 32 percent. When a new static guard is assigned to Muni, supervising guards spend time training them. This training activity reduces the supervisor's time for other duties, such as providing a roving patrol of bus yards. We analyzed the number of static guards that Burns assigned to the posts for the months of August 1992 and March 1993. For each month, we compared the number of different static guards assigned to the number of static guard hours. We converted the static guard hours to Full-Time Equivalent (FTEs) positions. In August 1992 Burns assigned a total of 92 static guards to cover 42.6 FTEs, for a ratio of static guards to FTEs of 2.2. In March 1993 Burns assigned a total of 26 static guards to cover 17.3 FTEs, for a ratio of static guards to FTEs of 1.5. Thus, in comparing the ratio of static guards to FTEs of 2.2 to 1.5, Burns improved its turnover of guards by assigning 32 percent fewer static guards for the FTEs required.

Open Post Hours Not Excessive

Burns did not have excessive open post hours when compared to the Protective Services Chief's standard of eight hours per week. During our audit survey, Protective Services indicated a concern about the frequency that static guard sites were not covered, leaving an open post. For purposes of our testwork, we converted the standard of 8 hours per week to 35 hours per month. We reviewed 6 months of the 24 month period from July 1991 through June 1993, and found that none of these months had open post hours in excess of 33 hours. Further, the open post hours averaged 18 hours per month for these six months. As a benchmark, we estimated that static guards averaged 5,384 hours per month during fiscal year 1992-93.

Revenue Guard Rotation Adequate

We found that Burns and Muni have adequate procedures for rotating Burns revenue guards and Muni's revenue collection employees. Burns provides armed guards to accompany Muni's fare collection receivers on their collection activities to pick up revenue from coaches, subway fare gates, and cable car ticket machines. Both Burns and Muni have grouped the collection activities into units, and assigned personnel to each unit. Rotation of personnel is an important control in ensuring that revenue collections are adequately protected. For each unit, Burns and Muni rotates the personnel on a weekly or daily basis. We did not test Burns and Muni practices for compliance with procedures because this area was beyond the scope of our audit, and we had no indications that practices did not conform with procedures.

Recommendation

To improve its operating and billing practices, Burns should take the following actions:

- Refund the PUC \$1,722 for the erroneously higher billings that were paid by the PUC during fiscal year 1992-93 for Mobile Patrol positions filled by Burns with a higher billing rate. However, if Burns can document that a different amount is appropriate, it can refund that amount.
- Improve its documentation of disciplinary actions that it takes when guards have performance problems.

We conducted this review according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,



NORIAKI HIRASUNA
Director
Audits Division

Date: November 30, 1993

Staff: Ben Carlick, Audit Manager
John Haskell
Mark Tipton
Precy Moreto

Ref: psbrpt.dox

Responses to the Audit

Public Utilities Commission General Manager

Protective Services Unit

and

Burns International Security Services

PUBLIC UTILITIES COMMISSION

287 City Hall
San Francisco, CA 94102
(415) 554-7311

Nov. 22, 1993

TO: Ben Carlick
Audit Manager

FM: Anson B. Moran
Acting General Manager



RE: Security and Protective Services Audit

Thank you for your review of the Security and Protective Services Unit's administration of the Burns contract. It is important because of allegations made by a former employee, the recent change of management in the Unit, and the change in the Unit's reporting and supervision relationships within the PUC. Further, we have finally executed the new Burns contract and your findings will be helpful in getting that contract off to a proper start. The Protective Services Unit and Burns have each responded to the details of your audit. My comments are more general.

Based on my assessment of organizational effectiveness, and with preliminary results from this audit, I have transferred the Protective Services Unit to MUNI for management. The prior structure reporting to the PUC General Manager created an environment where MUNI was more the suspect than the client with few results other than distancing the Unit from MUNI's important security needs. This reassignment has already borne fruit in disciplinary matters affecting fare collections. Approval of Burns invoices has been transferred to MUNI's Administration section. The documentation of requested and provided services that you suggested has been implemented and is being routinely supplied to MUNI Administration by the Unit.

Your audit also documented two areas where we may have over paid Burns. Upon release of the final audit we will pursue recovery of these amounts from Burns.

Again, thanks for the review. It is timely and useful.

MEMORANDUM

Protective Services Bureau - PUC



November 18, 1993

Mr. Edward M. Harrington
Controller, City of San Francisco
City Hall, room 109
San Francisco, CA 94103

Dear Mr. Harrington,

I am in receipt of the audit report conducted by your Audit Division concerning Protective Services and Investigations. I have discussed this audit report with a member of your staff and would like to respond to you as to the actions taken during and at the conclusion of the audit.

Implementation of the BURNS Security Contract was completed on October 29, 1993 and is now in effect.

On page 7, it is stated that Protective Services did not document the guard coverage it authorized BURNS to provide. After my conversation with the auditor concerning a Security Plan in which specific hours and billing rates should be provided to Finance for future guard assignments, a plan was drawn up and provided to Finance on June 17, 1993 presenting the Security Plan for fiscal 1993-1994. A copy of this plan was provided to the auditor and Mr. Andy Moran on June 17, 1993.

On page 8 of the audit report, addressing a written record of attendance of two BURNS employees working in administrative positions, a sign in/sign out log was initiated, at the auditors suggestion, on June 24, 1993. The BURNS employees are required to sign in/out on a daily basis.

On page 9, referring to the payment of benefits for the BURNS employees, and to the cost to the city, such payments for holidays and sick leave was terminated on June 24, 1993. In my discussions with BURNS management in the past, (with the former regional manager) I was told that the full time BURNS employee was entitled to sick leave, just as administrative personnel working at the BURNS business office. I was informed by the current BURNS regional manager that this is so, BUT, BURNS would charge the city for the sick days/holidays in order to pay the employee working in our office. This employee no longer receives any pay for holidays, sick days, or for any other days that are not worked.

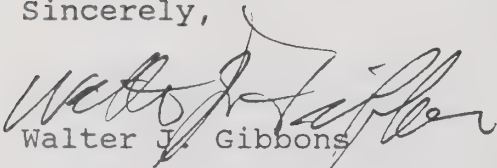
Page 13 refers to hiring practices in which referrals from Protective Services and PUC employees are either family members or friends. This is true. We have a difficult time obtaining observers and keeping them. We also hire friends of current observers after interviewing them and determining if they can fit into a program that does not have regular hours, does not pay well, and causes them to ride MUNI on what can be described as potentially dangerous routes.

Additionally, we have taken steps to assure that hours billed are hours actually worked by implementing the following.

Members of Protective Services will routinely visit MUNI facilities where guards are assigned at various times during the guards shift to determine that the guard is actually at the site and adhering to that particular post's orders.

We have contacted the security contractor and instructed them to install a reporting device similar to a Detex clock at MUNI sites. The device ordered is an electronic hand-held scanner, similar to those used in department stores that will read magnetic bar-code labels. The labels will be placed at various locations at the MUNI sites, and the security officer will have to scan these labels at specified times during the work shift. A daily analysis of these readings by Protective Services will allow us to determine the amount of hours worked each day at various sites.

Sincerely,



Walter J. Gibbons



November 17, 1993

Mr. Ben Carlick
Audit Manager
City Controller's Office
City Hall, Room 109
San Francisco, CA 94102

Dear Ben:

The bid process for the Joint-Venture between Burns International Security Services and W.S.B. of Northern California regarding the MUNI account was delayed due to the following reasons: The changing of the bonding requirements by the City, conflicting information as to what a Joint-Venture agreement is and the processing of Proposition J. The process took a little longer than anticipated, however, the contract was moved forward and a true Joint-Venture agreement was formed with minority participation.

In response to your request, Vivian Viviani investigator assigned to the staff of Walter Gibbons, P.U.C. Chief Investigator, is entitled to two weeks vacation.

Due to an over-sight, the MUNI account will be credited \$1772.00 on the December 6, 1993 invoice.

If Burns can be of further assistance to you and the Controller's office, please do not hesitate to call.

Sincerely,

Daniel J. Addario
District Manager
SF Burns

DJA/ele

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